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S E C R E T SECTION 01 OF 05 KUWAIT 005788

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SUBJECT: KUWAIT: 2004 ANNUAL REPORT TO CONGRESS ON ALLIED CONTRIBUTIONS TO THE COMMON DEFENSE

REF: STATE 305999

Classified By: Classified By CDA John Moran 1.4 (A), (B), and (D).

11. (U) Note on classification: Kuwait's extensive support for U.S. and allied security forces in the country is sensitive domestically and within the region. While all of the figures in the unclassified and the sensitive but unclassified sections of this report are from unclassified sources, the assembled data -- necessary to portray to Congress the breadth of Kuwaiti support -- could be misused. Addressees should conform strictly to classification guidelines in the distribution of this information. End note.

12. (U) POC for questions regarding this report is PolOff Gene Del Bianco, 965-539-5307 ext. 2533 (office), 538-0282 (fax), delbiancogj2@state.gov

TEXT OF REPORT

13. GENERAL ASSESSMENT:

1A. IMPORTANT POLITICAL AND ECONOMIC DEVELOPMENTS

A.1. (SBU) Kuwait's strong commitment to shared U.S. security objectives remained firm in 2003. Prior to the commencement of Operation Iraqi Freedom (OIF), Kuwait continued its policy of allowing US and Coalition troops unfettered access to its air, land and sea facilities. During OIF, Kuwait's steadfast support of US and Coalition efforts was critical to their success. In November, the GOK Minister of Defense publicly affirmed the defensive nature of the Kuwait Armed Forces. Despite the removal of Saddam Hussein from Iraq, Kuwait continues to believe that reliance on the U.S., and its continued presence in the region, is vital to Kuwaiti national security.

A.2. (U) The continued violence between the Israelis and Palestinians remains a significant concern of the GOK.

Despite Kuwait continued strong support for US military cooperation, the GOK has recently declined to participate in bi-lateral military exercises citing domestic budget concerns.

A.3. (SBU) Kuwait is participating in the GCC Mutual Defense Agreement.

A.4. (U) Strong oil prices in 2002 generated a significant GOK budget surplus that has continued through 2003. Although government expenditures increased about 8%, Kuwait's fiscal surplus in 2003 was 18% of the GDP. Defense spending remains constant at about 5 percent of GDP. Defense spending was approximately 11 percent of the FY 2003-2004 budget. The Ministry of Defense budget listed in the official GOK-issued FY 2003-2004 report is 643,623,000 Kuwaiti Dinar (USD 2,123,965,800); the national budget listed for FY 2003-2004 is 5,828,000,000 Kuwaiti Dinar (USD 19,232,400,000).

1B. MAJOR DEVELOPMENTS IN DEFENSE POLICY:

B.1. (U) The GOK's support of the United States during Operations ENDURING FREEDOM and IRAQI FREEDOM has been rapid and robust. This includes increased security for U.S. Department of Defense (DOD) and Department of State (DOS) installations and personnel, approval for substantial force deployments, and basing.

B.2. (U) Defense Resource Management System (DRMS). Kuwait's request for assistance in conducting a review of its armed forces has been granted. O/A February 04, Kuwait will participate in a DRMS. Changes in the threat situation brought on by the end of the Saddam Hussein regime necessitated that Kuwait identify the next potential threats to its national security and the best way to organize and posture its military to meet those threats.

B.3 (C) Joint Military Commission (JMC). A JMC is planned for March 04. The JMC will provide Kuwait a venue to review bi-lateral issues and conduct coordination between the U.S. and Kuwait. It will also serve as a forum to establish agreements and financial structures to support agreed-upon common strategic and operational objectives.

B.2. (SBU) FOREIGN MILITARY SALES: Payments received at DFAS-Denver for U.S. FY 2003: USD 293,591,157. The GOK in 2003 implemented two major Foreign Military Sales (FMS) programs (Apache and Aerostat) and is considering a number of potential major programs for FY 2004.

B.2.1 (SBU) A Letter of Offer and Acceptance (LOA) for 16 AH-64D Apache helicopters and 8 Longbow Fire Control Radars was signed by the GOK on 31 August 2002. The request also embraces the Total Package Approach (TPA) for program support. The current LOA signed is for USD 870 million.

B.2.2 (SBU) The GOK signed an LOA for the 71-meter AEROSTAT system with TPS-63 radar based on pricing and availability assessment. The current LOA signed is for USD 95 million.

B.2.3 (SBU) Kuwait is considering the purchase of surface launched AMRAAM; the estimated program value is USD 333 million.

B.2.4 (SBU) Kuwait is considering an Avionics Modernization Upgrade for its F/A-18 Fleet estimated at approximately USD 450 Million.

B.2.5 (SBU) Kuwait is considering Patriot Support Equipment CONFIG-3 Modernization Kits, training spare parts, test equipment etc, estimated at USD 131 Million.

B.3. (SBU) Kuwait has allowed U.S. forces to utilize the following areas and facilities.

B.3.1 (U) Camp Doha. The CFLCC Headquarters is based at Camp Doha, as are many military and civilian personnel and associated equipment.

B.3.2 (U) Camp Arifjan. Newly constructed by Kuwait for, and occupied by, U.S. military forces, Camp Arifjan supports theater logistics requirements.

B.3.3 (U) Commando Camp. A portion of the Kuwaiti Commando Camp was occupied by the Headquarters of the 1st Marine Expeditionary Force (I MEF) prior to the start of Operation IRAQI FREEDOM. The camp is available for future USMC operational requirements.

B.3.4 (S) Kuwait Navy Base (KNB). KNB provides a Joint Logistics Over the Shore (JLOTS) capability for U.S. forces. During 2003, a total of 142 ships carrying a total of 33,903 pieces of equipment and 17,708 passengers have discharged and onward moved through KNB. A total of 96 ships carrying 24,161 pieces of equipment and 15,912 passengers have back loaded thru KNB.

B.3.5 (U) Shuaybah Port. Portions of the commercial port are used by CFLCC forces to receive military equipment.

B.3.6 (U) Ahmed Al-Jaber Air Base was used extensively during Operations OIF and OEF. All USAF personnel have now departed the base, however, it is available as needed for future U.S. military operations.

B.3.7 (U) Ali Al-Salem Air Base hosts the USAF 386th AEW.

B.3.8 (U) Mubarak Air Base. U.S. military forces utilize the airbase as an Aerial Port of Debarkation and Embarkation (APOD/APOE) servicing passengers and cargo.

B.3.9 (U) Desert Camps. CFLCC used as many as eight desert camps for basing and support during 2003.

B.3.10 (SBU) Desert Training Areas. Kuwait afforded unprecedented training access to U.S. forces in 2003. In addition to normal range utilization for training and gunnery, Kuwait set aside approximately 70% of its total land area for U.S. military training and bed-down.

B.4. (S) Kuwait is one of the few regional countries to allow U.S. Air Force strike aircraft to launch offensive operations into Afghanistan and Iraq without restriction.

B.5. (C) The GOK has agreed to the designation of the Kuwait Armed Forces Hospital (KAFH) as a casualty reception facility in support of OIF/OEF. CFLCC has deployed a 120-person Combat Support Hospital with equipment to staff specific wards and specialty clinics at KAFH in order to provide Level III medical capabilities in combination with the Kuwaiti staff.

B.6. (S) The normally robust Kuwait-U.S. military bilateral exercise program has been substantially reduced due to U.S. operational commitments and Kuwait Armed Forces budget constraints.

B.7. (S) As of December 1013, U.S. troops in-country number approximately 25,326. The personnel are distributed as follows:

(1) (S) U.S. Army: 23,432.

--(S) CFLCC/ARCENT: The Coalition Force Land Component Command (CFLCC) and the U.S. Army Central Command (ARCENT) Kuwait headquarters are at Camp Doha. CFLCC/ARCENT conducts Theater Security Cooperation activities, provides Title X/Executive Agent support to deployed U.S. & Coalition forces, theater sustainment/deployment support to CJTF-7, and support as appropriate to CJTF-180. Concurrently, maintains a forward-based capability to organize, plan, and on order Command and Control joint/combined land combat operations across the USCENTCOM AOR.

-- (S) Other Army Forces in Kuwait include: the 377th Theater Support Command (TSC) at Camp Arifjan- The TSC along with its subordinate units provides logistical support and Reception, Staging and Onward Movement and Integration of component forces arriving in theater. The 11th Engineer Group, 335th Signal Command, 11th Ordnance Group, 3rd Military Police Group, and Aviation Task Force-Kuwait provide additional support.

(2) (S) U.S. Air Force: 1,647.

-- (S) Ali Al-Salem AB (386th AEW). U.S. aircraft continue to be based at Ali Al-Salem Air Base supporting OIF and OEF including: AEG C-130 and C-23 aircraft providing Intra-theater lift; AEG ; C-130E aircraft providing signals intelligence; and MC-130 and AC-130 Special Operations Aircraft.

(3) (S) U.S. Navy: 242.

-- (S) Naval Special Warfare and USN Force Protection personnel operate at several locations including KNB and Shuaybah Port.

(4) (U) U.S. Marine Corps: 5

-- (U) USMC provides liaison personnel at Camp Doha.

C. GRANT AID, PEACEKEEPING, HUMANITARIAN OPERATIONS, AND COUNTERPROLIFERATION AND NUCLEAR THREAT REDUCTION:

(U) In support of humanitarian assistance operations in Iraq, the GOK has contributed an estimated USD 120 million. These contributions include food, water, medicine, fuel, and various other items critical to the rebuilding of Iraq.

D. HOST NATION'S CONTRIBUTIONS TO THE WAR ON TERRORISM:

(SBU) The Kuwait Armed Forces have not offered or contributed forces to the coalition with the exception of approximately 100 translators, and a few personnel involved in the search for Kuwaiti POWs and missing persons in Iraq from the 1990-1991 Iraqi occupation of Kuwait. However, their in-kind support has been significant. The GOK has fully supported all OEF and OIF requests. This includes block over-flight and basing clearances for aircraft, hospital support, and bed-down of significant force deployments. Kuwait security forces have responded to all requests for additional security measures to protect U.S. government personnel and installations, working closely with U.S. security officers on a number of force protection initiatives.

14. (SBU) DIRECT COST SHARING: Approximately USD 736,234,762 ("Burdensharing" in 4A and "AIK/Other" in 4B).

1A. (SBU) BURDENSHARING: USD 207,289,011 for FY 2003. This figure includes costs listed below for base operations, supplies, personnel support and military exercises, and is distributed as follows:

A.1. (SBU) BASE OPERATING COSTS: USD 112,303,141. Includes the Combat Support Associates Contract for Camp Doha operations, OCONUS base support, and CONUS base support.

A.2. (SBU) SUPPLIES (NON-EXERCISE): USD 19,307,595. Includes rations, package petroleum products, barrier material, medical, and repair parts.

A.3. (SBU) PERSONNEL SUPPORT: USD 5,444,129. Includes civilian employee pay, and travel.

A.4. (SBU) Exercises: USD 1,654,146. This includes bilateral exercises sponsored by CENTCOM and components conducted annually in Kuwait.

A.5. (SBU) CONTRACTED SECURITY SERVICES: Payments to Combat Security Associates (CSA): USD 76,200,000

1B. (U) ASSISTANCE IN KIND (AIK)/OTHER DIRECT OR INDIRECT COST SHARING CONTRIBUTIONS*: USD 556,665,741. This includes the following:

B.1. (SBU) Food Service: 48,378,976.

B.2. (SBU) Utilities: 8,961,407.

B.3. (SBU) Telecom: 620,310.

B.4. (SBU) Laundry: 11,634,953
B.5. (SBU) Medical: 3,435,590.
B.6. (SBU) Fuel: 483,634,505. Provided to US forces supporting Operation IRAQI FREEDOM operating in/from Kuwait (period January 03 through Nov 03): est. 542,755,363 million gallons (rate: \$0.84/gal.), currently averaging 33 million gallons per month.

* Data is for the period of 1 JAN 03 through 29 SEP 03 with extrapolated data for 1 OCT 03 through 31 DEC 03.

5. INDIRECT COST SHARING:

A. (U) RENTS: All rent figures are included in direct cost sharing figures.

B. (U) TAX CONCESSIONS/CUSTOMS/TOLLS/DUTIES:

B.1. (U) OFFICIAL PURCHASES OF SERVICES, MATERIALS, AND SUPPLIES: Tax free.

B.2. (U) OFFICIAL IMPORT EXEMPTIONS: Customs fees waived for all military imports for U.S. forces.

B.3. (U) TOLLS: N/A U.S. forces are exempted from port fees and tolls.

B.4. (U) VALUE ADDED TAXES ON PERSONAL PURCHASES. VAT does not exist in Kuwait.

B.5. (U) POSTAL: All DOD and DOS personnel are serviced by an Army Post Office (APO), based at the American Embassy. Deployed forces serviced by respective unit APOs.

B.6. (U) UTILITIES: Included under Direct Cost Sharing figures. Water and electrical power provided free for all U.S. military facilities.

B.7. (U) TELECOMMUNICATIONS. Included under Direct Cost Sharing figures. N/A.

6. GRANT AID, PEACEKEEPING AND HUMANITARIAN ASSISTANCE, COUNTERPROLIFERATION, AND NUCLEAR THREAT REDUCTION:

A. (U) GRANT AID: Kuwait is a major bilateral aid donor to lesser-developed countries, particularly in the Arab world, Africa, and the Balkans. According to the latest figures available, Kuwait provided over USD 419 million during 2003 in assistance to the developing world through soft loans and grants. This amount is approximately 1 percent of Kuwait's GDP.

B. (U) UN PEACEKEEPING AND OTHER HUMANITARIAN ASSISTANCE: N/A.

C. (U) CURRENT CONTINGENCY OPERATIONS: Kuwait currently supports Operations IRAQI FREEDOM and ENDURING FREEDOM.

D. (U) COUNTERPROLIFERATION CONTRIBUTIONS: N/A.

7. N/A

8. N/A

9. N/A

10. (U) GROSS DOMESTIC PRODUCT FOR 2002 AND ESTIMATED GROSS DOMESTIC PRODUCT FOR 2003: GDP for 2002 was USD 35.5 billion and estimated GDP for 2003 is USD 42.8 billion.

11.A. (SBU) DEFENSE EXPENDITURES: USD 2.145 billion (Note: the Kuwait fiscal year is April - March. This figure represents the Kuwait FY2003 budget).

11.B. (U) DEFENSE PERSONNEL as of 2003:

11.B.1. (SBU) CIVILIANS EMPLOYED BY THE GOVERNMENT IN DEFENSE RELATED ACTIVITIES: Less than 1000.

11.B.2. (SBU) NUMBER OF ACTIVE DUTY MILITARY PERSONNEL: Approximately 21,000.

12 B.3. (SBU) NUMBER OF COMMITTED RESERVES: Approximately 5,000.

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